

**Consolidated Financial Statements
of**

**BC TRANSPORTATION
FINANCING AUTHORITY**

Year ended March 31, 2011

BC TRANSPORTATION FINANCING AUTHORITY
Year ended March 31, 2011

Management's Responsibility for the Consolidated Financial Statements

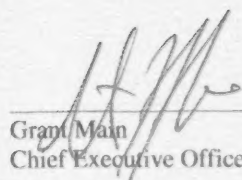
The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

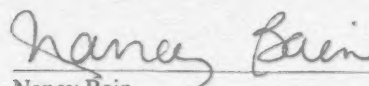
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Director is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required.

On behalf of BC Transportation Financing Authority


Grant Main
Chief Executive Officer


Nancy Bain
Executive Financial Officer
and Corporate Secretary



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BC Transportation Financing Authority, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority ("the entity"), which comprise the consolidated statements of financial position as at March 31, 2011, March 31, 2010, and April 1, 2009, and the consolidated statements of operations, statements of change in net financial debt, and statements of cash flow for the years ended March 31, 2011, and March 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

In my view, the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my qualified audit opinion.



Basis for Qualified Opinion

Note 3(h) describes the accounting policy for capital project contributions from the federal and provincial governments and other outside agencies. The policy is to record these types of transfers as deferred capital contributions and recognize as revenue in the statement of operations on the same basis as the related assets are amortized. In this respect the financial statements are not in accordance with Canadian public sector accounting standards which require that contributions be recognized as revenue in the period that it is authorized by the transferring entity except when stipulations imposed by the transferring entity give rise to an obligation that meets the definition of a liability. For those transfers where stipulations have been imposed, the standards require that revenue be recognized as the liability is settled rather than recognized on the same basis as the related assets are amortized. If capital contributions had been properly recognized, deferred capital contributions as at March 31, 2011, would have been reduced by \$1,702 million (March 31, 2010 - \$1,762 million and April 1, 2009 - \$1,876 million) and accumulated surplus as at March 31, 2011, would have been increased by \$1,702 million (March 31, 2010 - \$1,762 million and April 1, 2009 - \$1,876 million). Further, amortization of deferred capital contributions on the statement of operations would have been reduced by \$60 million (2010 - \$113 million) and the annual deficit would have increased by \$60 million (2010 - \$113 million).

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2011, March 31, 2010, and April 1, 2009, and the results of its operations, changes in its net debt, and its cash flows for the years March 31, 2011 and March 31, 2010 then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia
August 25, 2011

John Doyle, MAcc, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

	March 31, 2011 Actual (\$ 000s)	March 31, 2010 Restated (note 2) (\$ 000s)	April 1, 2009 Restated (note 2) (\$ 000s)
Financial assets			
Cash and cash equivalents (note 4)	82,195	104,010	120,403
Due from government/other government organizations (note 5)	58,303	60,212	37,566
Accounts receivable (note 6)	4,807	5,237	5,074
Investment in government business enterprise (note 7)	89,128	-	-
Other investments (note 8)	63	77	56
Sinking funds (note 9)	797,296	631,391	518,185
	<u>1,031,792</u>	<u>800,927</u>	<u>681,284</u>
Liabilities			
Due to government/other government organizations (note 10)	118,767	149,705	138,023
Accounts payable and accrued liabilities (note 11)	82,028	71,315	65,759
Capital debt (note 12)	5,723,000	5,047,824	4,333,760
Public-private partnership obligations (note 14)	837,562	799,454	775,533
Obligation under capital lease (note 15)	-	2,857	3,665
Deferred capital contributions (note 16)	2,582,539	2,389,795	2,317,655
Deferred revenue (note 17)	201,613	133,155	106,621
	<u>9,545,509</u>	<u>8,594,105</u>	<u>7,741,016</u>
Net financial debt	<u>(8,513,717)</u>	<u>(7,793,178)</u>	<u>(7,059,732)</u>
Non-financial assets			
Tangible capital assets (note 18)	9,657,705	8,998,619	8,465,005
Prepaid expenses	48,730	44,303	29,403
	<u>9,706,435</u>	<u>9,042,922</u>	<u>8,494,408</u>
Accumulated surplus (note 19)	<u>1,192,718</u>	<u>1,249,744</u>	<u>1,434,676</u>
Contractual obligations (note 20)			
Contingencies (note 21)			

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:



Director

July 12/2011

Date

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

Year ended March 31	2011	2011	2010
	Budget	Actual	Restated
	(note 30)		(note 2)
	(\$ 000s)	(\$ 000s)	(\$ 000s)
Revenues			
Dedicated taxes (note 22)	416,500	439,715	427,623
Amortization of deferred capital contributions	141,355	135,889	142,579
Interest income	29,442	38,477	30,004
Earnings from government business enterprise	10,572	9,608	-
Other revenues (note 23)	40,224	61,661	35,237
	<u>638,093</u>	<u>685,350</u>	<u>635,443</u>
Expenditures			
Operations			
Grant programs (note 24)	79,991	63,322	111,411
Inland ferries operations	9,100	9,099	9,343
Interior and rural side roads programs	32,500	31,773	32,138
Transportation planning	2,597	1,404	4,627
Public-private partnership operating expenses	16,095	10,418	12,037
First Nations settlements	2,000	788	6,848
Other expenses (note 25)	11,990	19,306	17,417
General and administrative expenses (note 26)	7,806	5,093	4,674
Amortization of tangible capital assets	380,542	386,543	369,616
Interest expense (note 27)	287,123	262,609	235,985
Asset disposal and write down (note 28)	2,000	34,758	18,441
	<u>831,744</u>	<u>825,113</u>	<u>822,537</u>
Deficit from operations	<u>(193,651)</u>	<u>(139,763)</u>	<u>(187,094)</u>
Unrealized gain/loss due to remeasurement			
Unrealized gain/(loss) on other investments	-	(14)	21
Unrealized gain on foreign exchange on debt	-	3,231	2,141
	<u>-</u>	<u>3,217</u>	<u>2,162</u>
Annual deficit	<u>(193,651)</u>	<u>(136,546)</u>	<u>(184,932)</u>
Accumulated surplus at beginning of year		1,249,744	1,434,676
Adjustment to accumulated surplus (note 7)		79,520	
Accumulated surplus at end of year		<u>1,192,718</u>	<u>1,249,744</u>

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Financial Debt

Year ended March 31	2011 Budget (note 30) (\$ 000s)	2011 Actual (\$ 000s)	2010 Actual (\$ 000s)
Annual deficit	(193,651)	(136,546)	(184,932)
Effect of change in tangible capital assets			
Acquisition of tangible capital assets	(1,457,483)	(1,080,387)	(921,671)
Amortization of tangible capital assets	380,542	386,543	369,616
Asset disposal and write down	2,000	34,758	18,441
	<u>(1,074,941)</u>	<u>(659,086)</u>	<u>(533,614)</u>
Effect of change in prepaid expenses	(3,403)	(4,427)	(14,900)
Effect of change in accumulated surplus	-	79,520	-
(Increase) in net financial debt	<u>(1,271,995)</u>	<u>(720,539)</u>	<u>(733,446)</u>
Net financial debt at beginning of year	(7,675,419)	(7,793,178)	(7,059,732)
Net financial debt at end of year	<u><u>(8,947,414)</u></u>	<u><u>(8,513,717)</u></u>	<u><u>(7,793,178)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flow

Year ended March 31	2011	2010
	Actual	Restated
	($\$$ 000s)	(note 31) ($\$$ 000s)
Operating transactions		
Annual deficit	(136,546)	(184,932)
Amortization of fixed assets	386,543	369,616
Amortization of deferred capital contributions	(135,889)	(142,579)
Asset disposal and write down	34,758	18,441
Change in pre-paid expenses	(4,427)	(14,900)
Change in non-cash operating working capital:		
Due from government/other government organizations	1,909	(22,646)
Accounts receivable	430	(163)
Due to government/other government organizations	(30,938)	11,682
Accounts payable	10,713	5,556
	<u>126,553</u>	<u>40,075</u>
Financing transactions		
Change in long-term debt	675,176	714,064
Change in public-private partnership obligations	38,108	23,921
Change in obligation under capital lease	(2,857)	(808)
Change in deferred capital contributions	328,633	214,719
Change in deferred revenue	68,458	26,534
	<u>1,107,518</u>	<u>978,430</u>
Investing transactions		
Investment in government business enterprise	(89,128)	-
Adjustment to accumulated surplus	79,520	-
Change in sinking fund balance	(165,905)	(113,206)
Change in other investments	14	(21)
	<u>(175,499)</u>	<u>(113,227)</u>
Capital transactions		
Addition to tangible capital assets	<u>(1,080,387)</u>	<u>(921,671)</u>
	<u>(1,080,387)</u>	<u>(921,671)</u>
(Decrease) in cash and cash equivalents	<u>(21,815)</u>	<u>(16,393)</u>
Cash and cash equivalents at beginning of year	104,010	120,403
Cash and cash equivalents at end of year	<u>82,195</u>	<u>104,010</u>
Supplemental disclosure of cash flow information	($\$$ 000s)	($\$$ 000s)
Interest paid	260,058	236,347

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by the Board of Directors who may exercise the rights, powers and advantages conferred on them under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold and improve transportation infrastructure and is committed and obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their entire useful lives.

BCTFA is exempt from federal and provincial corporate income taxes.

2. Conversion to Canadian public sector accounting standards:

Commencing April 1, 2010, BCTFA adopted Canadian public sector accounting (PSA) standards as the basis for preparing financial statements. These consolidated financial statements are the first consolidated financial statements for which BCTFA has applied Canadian PSA standards.

The impact of the conversion to PSA standards on the accumulated surplus at the date of transition and the comparative annual surplus is presented in note 19. These accounting changes have been applied retroactively with restatement of prior periods. The following changes have been implemented to comply with PSA standards:

(\$ 000s)	Previously stated 2010	Adjustment 2010	Restated 2010
Statement of Financial Position			
Derivative instruments	151,643	(151,643)	-
Sinking fund	659,569	(28,178)	631,391
Prepaid expenses	-	44,303	44,303
Capital debt	(4,991,959)	(55,865)	(5,047,824)
Adjustment due to adoption of PSA standards (note 19)		(191,383)	
Statement of Operations			
Asset disposal and write down	(16,921)	(1,520)	(18,441)
Amortization of unrealized sinking fund gain	3,990	(3,990)	-
Unrealized foreign exchange and derivative gain	(111,063)	113,204	2,141
Adjustment due to adoption of PSA standards (note 19)		107,694	

The management of BCTFA has reviewed PSA standard PS 2125 – First time adoption by government organizations and has elected not to exercise any of the exemptions to retroactive restatement.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

3. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian PSA standards for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB).

b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, only net income and changes in equity of government business enterprises are consolidated. Inter-organizational transactions and balances are not eliminated.

c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Other investments:

Investments in marketable securities are measured at the lower of cost or market value at year-end. The last bid price of the securities quoted in an active exchange at year-end (or the last trading day if the year-end falls on a public holiday) is used to value the assets.

e) Sinking funds:

Sinking funds are used to retire the related long-term debt at maturity and are recorded at cost.

f) Bond premiums and discounts:

Bond premiums and discounts are amortized using the effective interest rate method over the term of the related debt and are netted against the related debt.

g) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate of the assets. The cost of these assets include the costs incurred by the private sector partners, as well as owner's costs incurred by BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model embedded in the Concession Agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives and the corresponding obligations will be paid down over the term of the agreements.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

3. Significant accounting policies (continued):

h) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by capital grants from the federal and provincial government and other outside agencies. These are recorded by BCTFA as deferred capital contributions and are recognized as revenue in the Statement of Operations on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

i) Deferred revenue:

Deferred revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis.

j) Tangible capital assets:

Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. When project substantial completion is attained (assessed semi-annually), capitalization of interest during construction ceases. Project costs are written down in the year it is determined no tangible asset will result.

Completed infrastructure is stated at cost. Assets are amortized on a straight line basis over their estimated useful lives, as follows:

Asset	Useful life
Marine transportation equipment - vessels and docks	25 years
Completed highway infrastructure - surfacing, safety improvements, and equipment	15 years
Completed highway infrastructure - all other infrastructure costs (excluding land)	40 years

k) Prepaid expenses:

Prepaid expenses are deferred debt issue costs amortized using the effective interest rate method over the life of the related debt.

l) Revenue from dedicated taxes:

Revenue from dedicated taxes is recognized monthly based upon allocations of taxes collected by the Province.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

3. Significant accounting policies (continued):

m) Foreign currency translation:

Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at year-end date. Any resulting currency fluctuations are deferred and amortized in the Statement of Operations over the remaining life of the related debt.

n) Use of estimates:

The presentation of the consolidated financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

Amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of the useful life of common assets. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

o) Future accounting policies:

In March 2011, PSAB approved section PS 3450 - Financial Instruments, section PS 2601 - Foreign Currency Translation, and section PS 1201 - Financial Statement Presentation. These new standards will be effective for fiscal periods beginning on or after April 1, 2012 for government organizations and the three standards must be adopted in the same fiscal year. Early adoption of these standards is permitted; however, retroactive application is prohibited.

BCTFA will assess and evaluate the new standards and the changes required to comply with PSAB direction.

4. Cash and cash equivalents:

Cash and cash equivalents consist of deposits with banks and investments in money market instruments which are redeemable within a day's notice.

(\$ 000s)	2011	2010
Cash	2,723	2,343
Cash equivalents	79,472	101,667
	82,195	104,010

Cash and cash equivalents consist of funds that are for the following purposes:

- \$6.1 million (2010 - \$2.4 million) is funding received for the Sierra YoYo Desan Transition Agreement between BCTFA and the Ministry of Energy and Mines.
- \$59.9 million (2010 - \$95.5 million) is advance payment from federal government for contributions to various capital projects.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

5. Due from government/other government organizations:

Due from the government/other government organizations consists of the following:

- \$54.6 million (2010 - \$34.4 million) is revenue due from the Province.
- \$0 million (2010 - \$12.7 million) is advance payment from the federal government under the Infrastructure Stimulus Fund program due from the Province.
- \$3.7 million (2010 - \$13.1 million) is payment due from the Transportation Investment Corporation for a licence to use and occupy certain BCTFA's lands for the purpose of fulfilling the terms under the Port Mann Highway 1 Bridge Project Concession Agreement.

(\$ 000s)	2011	2010
Province of British Columbia	54,562	47,118
Transportation Investment Corporation	3,741	13,094
	58,303	60,212

6. Accounts receivable:

Accounts receivable consists of mainly ordinary trade receivables from partners in economic development projects.

7. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in the BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements. BCRC changed its fiscal year from December 31 to March 31 during this fiscal period.

BCTFA will reflect the net equity of BCRC at April 1, 2010 and earnings for the 12 month period April 1, 2010 to March 31, 2011. Refer to schedule A for supplementary financial information of BCRC.

8. Other investments:

As part of the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement, BCTFA holds 28,250 shares of Ballard Power Systems Inc. with a market value of \$62,715 at March 31, 2011 (2010 - \$76,558).

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

9. Sinking funds:

To ensure future debt obligations are met, BCTFA makes periodic payments into sinking funds which are used to retire related long-term debts at maturity. British Columbia Investment Management Corporation (bcIMC) is the manager of the sinking fund portfolios. Sinking fund payments are calculated based on an annual expected return of 5%. bcIMC assesses the reasonableness of the annual rate of return periodically and if necessary, makes adjustments to the contribution levels.

For the year ended March 31, 2011, BCTFA contributed \$128.1 million to sinking funds and recognized \$37.8 million in earnings. The market value of BCTFA's sinking fund portfolios is \$856.4 million and the average return for the year is approximately 5.4%. Aggregate payments for the next five fiscal years and thereafter to meet sinking fund instalments are:

	(\$ 000s)
2012	178,823
2013	170,771
2014	170,771
2015	167,081
2016	167,081
and thereafter	1,222,908

10. Due to government/other government organizations:

The \$118.8 million (2010 - \$149.7 million) due to government/other government organizations is mainly capital project payments and accruals due to the Province.

11. Accounts payable and accrued liabilities:

(\$ 000s)	2011	2010
Interest payable	62,399	54,280
Other trade payables and accrued liabilities	19,629	17,035
	82,028	71,315

12. Capital debt:

For the year ending March 31, 2011, BCTFA acquired \$812 million of new short-term and long-term debt. Amortization of discounts, premiums, and changes in unrealized foreign exchange gain on debt during the year resulted in a net debt reduction of \$37 million.

During the fiscal year, \$100 million of long-term debt matured. Upon maturity, the debt was refinanced and its related sinking fund, in the amount of \$59 million, was transferred to a new debt issue.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

12. Capital debt (continued):

Capital debt (\$000s)	Year of maturity	Canadian currency debt	(Canadian equivalent) Foreign currency debt ¹	2011 Canadian \$ total	Restated (note 2) 2010 Canadian \$ total
Short-term promissory notes.....	2011	-	-	-	239,879
	2012	301,783	-	301,783	-
long-term bonds.....	2011	-	-	-	100,000
	2012	299,969	-	299,969	299,969
	2013	-	-	-	-
	2014	-	37,706	37,706	39,406
	2015	-	-	-	-
	2016	-	291,540	291,540	-
	2017 - 2021	994,350	-	994,350	844,350
	2022 - 2026	556,326	-	556,326	556,326
	2027 - 2031	732,000	-	732,000	732,000
	2032 - 2036	499,490	-	499,490	499,490
	2037 - 2041	1,343,526	-	1,343,526	1,343,526
	2042 - 2046	550,000	-	550,000	250,000
	2047 - 2051	92,000	-	92,000	92,000
Total debt issued		5,369,444	329,246	5,698,690	4,996,946
Unamortized premium				5,818	39,316
Unamortized foreign exchange gain on debt				18,492	11,562
				<u>5,723,000</u>	<u>5,047,824</u>
The weighted average effective interest rate of the debt at March 31 are:				4.13%	4.08%

¹ As at March 31, 2011, BCTFA has two US currency denominated debt outstanding with a total value of US \$338.8 million

Aggregate payments for the next five fiscal years and thereafter to meet retirement provisions on short-term and long-term debt are:

	(\$ 000s)
2012	601,752
2013	-
2014	60,024
2015	-
2016	300,000
and thereafter	4,767,693

The Minister of Finance is the fiscal agent of BCTFA. Debt acquired through the provincial government's fiscal agency loan program carries a provincial guarantee. Pursuant to section 38(1) of the *Transportation Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Each year, BCTFA submits its borrowing target to the Treasury Board for approval.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

13. Risk management and derivative financial instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated to interest rate fluctuations, foreign exchange rate fluctuations and credit risk. BCTFA uses a variety of financial derivative instruments to mitigate exposure to interest rate and foreign exchange risks.

The following table presents maturity schedules of BCTFA's financial derivatives by type, outstanding at March 31, 2011, based on the notional amounts of the contracts.

Year of maturity	Cross currency swaps (\$ 000s)	Interest rate swaps (\$ 000s)	Total (\$ 000s)
2012	-	100,000	100,000
2013	-	-	-
2014	60,024	60,024	120,048
2015	-	-	-
2016	300,000	300,000	600,000
2017 - 2021	-	300,000	300,000
2022 and after	-	779,790	779,490
Total	360,024	1,539,814	1,899,538

a) Interest rate risk:

BCTFA is exposed to changes in interest rates of its variable-rate long-term debt. Based on BCTFA's mandated target debt ratio, interest rate exposure for long-term debt is limited to a maximum of 40% of its debt portfolio. Assuming the amount and mix of fixed-rate (69%) and variable-rate (31%) debt outstanding at March 31, 2011 remain unchanged, a quarter percentage change in interest rates could have a risk exposure of \$3.7 million (2010 - \$2.9 million with a variable -rate debt ratio of 29%) to future income and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not at the best interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into cross-currency swaps to offset the currency risk.

As at March 31, 2011, BCTFA has two foreign currency denominated debt issues outstanding and the related foreign exchange risk is fully offset by two cross-currency swaps with a total value of \$360 million.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

13. Risk management and derivative financial instruments (continued):**c) Credit risk:**

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. In 2010, the Province adopted a new guideline that it only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1 (Previously, the Province's guideline allowed the Province to enter into derivative transactions with counterparties that had a rating of AA-/Aa3). The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters will be conducted in accordance with the same government policy guidelines and therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts businesses with the Province and other level of government/government entities which are stable.

14. Public-private partnership obligations:

BCTFA has four multiple-year public-private partnership contracts for the design, build, finance and operate of certain transportation infrastructure. The information presented below shows the capital obligations of BCTFA under these contracts and payments for the operating components of these contracts are disclosed in note 20.

Project	Construction completion date	Interest rate (%)	Contract term (Years)	Capital obligations 2011 (\$ 000s)	Capital obligations 2010 (\$ 000s)
Sea-to-Sky Highway	2010/11	7.52	25	533,698	545,915
William R. Bennett Bridge	2008/09	7.88	30	178,215	180,568
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2007/08	7.40	25	71,391	72,971
South Fraser Perimeter Road (net of federal recoveries)	2014/15	8.81	20	54,258	-
				837,562	799,454

15. Obligation under capital lease:

Effective April 1, 2007, BCTFA assumed an obligation under a capital lease from the Province for the M.V. Francois Forester providing ferry services across Francois Lake, south of Burns Lake, British Columbia. On September 30, 2010, BCTFA exercised the buy-out-option on the lease to purchase the vessel for \$2.7 million.

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Notes to Consolidated Financial Statements

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16. Deferred capital contributions:

(\$ 000s)	Opening balance	Additions	Amortization	Closing balance
Provincial government	1,682,875	-	(122,968)	1,559,907
Federal government	646,171	315,349	(10,977)	950,543
Municipal government	30,653	11,859	(844)	41,668
Other partners	30,096	1,425	(1,100)	30,421
	2,389,795	328,633	(135,889)	2,582,539

Additions to federal deferred capital contributions for this fiscal was \$332.2 million. During this fiscal, \$16.9 million of those contributions were transferred to other federally sponsored projects delivered by the Province.

17. Deferred revenue:

(\$ 000s)	2011	2010
BC Ferries terminal lease	63,876	65,104
Port Mann Highway 1 Bridge Project land licence	116,915	44,137
Other deferred revenue	20,822	23,914
	201,613	133,155

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of BC Ferries. In April, 2003 the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from British Columbia Ferry Corporation (BCFC) at fair value and subsequently leased these assets back to BCFC for a term of 60 years. BCFC prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

BCTFA and TI Corp entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the Port Mann Highway 1 Bridge Project Concession Agreement. The term of the agreement commences on December 31, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA will amortize the prepaid land right on a straight line basis over approximately 78 years.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

18. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold and improve transportation infrastructure and is committed and obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their entire useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require provincial government's approval.

On September 30, 2010, BCTFA exercised the buy-out-option to purchase the vessel under the capital lease.

(\$ 000s)	Land	Work in progress	Completed infrastructure	Marine transportation equipment	Asset under capital lease	2011 Total
Cost						
Opening balance	1,442,372	565,691	10,010,233	22,269	6,338	12,046,903
Additions	126,766	953,252	-	-	369	1,080,387
Disposals	(192)	(33,710)	(1,473)	-	-	(35,375)
Transfer	-	(453,552)	453,552	6,707	(6,707)	-
Closing balance	1,568,946	1,031,681	10,462,312	28,976	-	13,091,915
Accumulated amortization						
Opening balance	-	-	(3,043,006)	(4,465)	(813)	(3,048,284)
Amortization	-	-	(384,886)	(1,657)	-	(386,543)
Disposals	-	-	617	-	-	617
Transfer	-	-	-	(813)	813	-
Closing balance	-	-	(3,427,275)	(6,935)	-	(3,434,210)
Net book value	1,568,946	1,031,681	7,035,037	22,041	-	9,657,705

(\$ 000s)	Land	Work in progress	Completed infrastructure	Marine transportation equipment	Asset under capital lease	2010 Total
Cost						
Opening balance	1,273,871	978,670	8,872,226	22,269	6,338	11,153,374
Additions	170,020	751,651	-	-	-	921,671
Disposals	(1,519)	(12,626)	(13,997)	-	-	(28,142)
Transfer	-	(1,152,004)	1,152,004	-	-	-
Closing balance	1,442,372	565,691	10,010,233	22,269	6,338	12,046,903
Accumulated amortization						
Opening balance	-	-	(2,684,757)	(3,074)	(538)	(2,688,369)
Amortization	-	-	(367,950)	(1,391)	(275)	(369,616)
Disposals	-	-	9,701	-	-	9,701
Transfer	-	-	-	-	-	-
Closing balance	-	-	(3,043,006)	(4,465)	(813)	(3,048,284)
Net book value	1,442,372	565,691	6,967,227	17,804	5,525	8,998,619

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

19. Accumulated surplus:

	(\$ 000s)
Fiscal 2010 deficit originally reported	(292,626)
Adjustment due to adoption of PSA standards (note 2)	107,694
Fiscal 2010 deficit restated	(184,932)
Accumulated surplus of March 31, 2010 originally reported	1,441,127
Adjustment due to adoption of PSA standards (note 2)	(191,383)
Accumulated surplus of March 31, 2010 restated	1,249,744
Fiscal 2011 deficit	(136,546)
Adjustment to accumulated surplus (note 7)	79,520
Accumulated surplus, end of fiscal 2011	1,192,718

20. Contractual obligations:

Information presented below under public-private partnerships is part of the anticipated cash outflow of BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are payments for the operating components of the contracts and capital obligations of these contracts are disclosed in note 14. Payments to concessionaires are contingent on specified performance criteria and include an estimation of inflation where applicable.

(\$ millions)	Contract end date	2012	2013	2014	2015	2016	Future payments
Public-private partnerships:							
Sea-to-Sky Highway	2030	51.7	51.4	51.0	50.5	50.0	634.3
William R. Bennett Bridge	2035	17.6	17.5	17.4	17.3	17.1	266.3
Kicking Horse Canyon Park Bridge	2030	6.3	6.2	6.1	6.0	5.9	115.6
South Fraser Perimeter Road	2035	236.7	175.3	91.5	35.6	26.3	402.0
Canada Line performance payments	2040	19.3	19.3	19.3	19.3	19.3	462.0
Other commitments under the Provincial Transit Plan		56.6	2.4	1.3	0.6	-	-
Other commitments under the Transportation Investment Plan		401.6	58.4	56.2	9.1	-	-
		789.8	330.5	242.8	138.4	118.6	1,880.2

In addition to the commitments to public-private partnership projects and performance payments for the Canada Line, BCTFA has a number of multi-year contractual obligations for both the operating and capital components of the Transportation Investment Plan and the Provincial Transit Plan. Such future expenditures will be accounted for in the year the work or service is performed.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

21. Contingencies:

The nature of BCTFA's activities is such that there may be expropriation, construction and other claims pending. BCTFA reviews all potential claims on an annual basis and accrues estimated settlement expenses, based on historical settlement amounts and the likelihood of the future events, in accordance with PSA standards.

In 2011, contingent liabilities of \$102 million (2010 - \$101 million) remain after deducting the estimated settlement expenses currently accrued from gross claims outstanding for capital projects and \$91 million (2010 - \$92 million) of those liabilities is related to expropriation claims.

22. Dedicated taxes:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 26 of the *Social Services Tax Act*, BCTFA received social service tax of \$1.50 per car rental day. On April 29, 2010, The *Consumption Tax Rebate and Transition Act* was enacted and the *Social Services Tax Act* was repealed. Effective July 1, 2010, BCTFA ceased to receive car rental tax from the Province.

(\$ 000s)	2011	2010
Tax revenue earned:		
<i>Motor Fuel Tax Act</i>	436,215	413,623
<i>Social Services Tax Act</i>	3,500	14,000
	439,715	427,623

23. Other revenues:

Other revenues consist of the following:

(\$ 000s)	2011	2010
Contributions from governments and partners	25,796	8,057
Property sale	29,690	21,072
Rental or leases	4,422	3,466
Economic development revenue	1,701	770
Miscellaneous revenues	52	1,872
	61,661	35,237

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

24. Grant programs:

BCTFA provided grants to the following programs during the year:

(\$ 000s)	2011	2010
Ports and airports	265	4,347
South Coast British Columbia Transportation Authority (TransLink)		
- Canada Line	19,269	12,248
South Coast British Columbia Transportation Authority (TransLink)		
- Other projects	22,338	6,660
British Columbia Transit	18,366	83,518
Cycling Infrastructure Partnerships Programs (CIPP)	85	840
Cowichan Valley Regional District	1,179	-
Climate Action Program Cycling Infrastructure	1,820	3,798
	63,322	111,411

25. Other expenses:

Other expenses consist of the following:

(\$ 000s)	2011	2010
Property and land selling costs	9,076	11,545
Rental or lease expenses	541	1,133
Economic development projects	78	147
Environmental enhancement initiatives	5,869	3,280
Other operating expenses	3,742	1,312
	19,306	17,417

26. General and administrative expenses:

In 2011, \$5.1 million (2010 - \$4.7 million) was paid to the Ministry of Transportation and Infrastructure for general and administrative services not specifically attributable to individual capital construction projects.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

Schedule A - Government business enterprise condensed supplementary financial information**Consolidated Financial Statement of British Columbia Railway Company**

	March 31 2011 (\$ 000s)
Statement of Financial Position	
Financial assets	
Cash and cash equivalents	153,371
Accounts receivable	4,103
Materials and other items	626
Assets available for sale	22,186
Other assets	91,206
	<u>271,492</u>
Liabilities	
Accounts payable and accrued liabilities	1,930
Other liabilities	130,787
Deferred revenue	314,190
	<u>446,907</u>
Net financial debt	<u>(175,415)</u>
Non-financial assets	
Property and equipment	264,543
	<u>264,543</u>
Shareholder's equity	<u>89,128</u>
Statement of Operations	
For the 12 month period ended March 31, 2011	(\$000 s)
Revenue	28,816
Expenses	19,208
Annual surplus	<u>9,608</u>
Net equity transferred from the Province March 31, 2010	252,520
Surplus for the year	9,608
Remittance to the Province	<u>(173,000)</u>
Shareholder's equity, end of year	<u>89,128</u>

During fiscal 2011, BCRC changed its fiscal year-end from December 31 to March 31. The annual surplus in the Statement of Operations above reflects BCRC's earnings from April 1, 2010 to March 31, 2011.